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MIRAMAR GROUP

MIRAMAR HOTEL AND INVESTMENT COMPANY, LIMITED

美麗華酒店企業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 71)

2021 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS

The Board of Directors of Miramar Hotel and Investment Company, Limited (the “Company”) are announcing the consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 together with the comparative figures for the corresponding period in 2020.

Highlights

- The Group’s revenue decreased by 23.7% to HK\$584 million (2020: HK\$765 million)
- Profit attributable to shareholders increased by 0.6% to HK\$158 million (2020: HK\$157 million)
- Underlying profit attributable to shareholders* decreased by 15.7% to HK\$193 million (2020: HK\$229 million)
- Earnings per share and underlying earnings per share* of HK\$0.23 (2020: HK\$0.23) and HK\$0.28 (2020: HK\$0.33) respectively
- Interim dividends per share of HK20 cents (2020: HK22 cents) are payable in cash

* Underlying profit attributable to shareholders and underlying earnings per share excluded the post-tax effects of the investment properties valuation movements and other non-operating and non-recurring items such as net gain on disposal of properties

CHAIRMAN AND CEO'S STATEMENT

Dear shareholders,

On behalf of the Board of Directors of Miramar Hotel and Investment Company, Ltd. (the "Company"), I would like to present the report on the financial and operational performance of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021 (the "period").

Consolidated Results

The Group's revenue for the period amounted to HK\$584 million (2020: HK\$765 million), a decrease of 23.7% against the corresponding period last year. Profit attributable to shareholders was HK\$158 million (2020: HK\$157 million) with a year-on-year increase of 0.6%. Excluding the revaluation loss on fair value of investment properties of HK\$54 million and the net gain on disposal of non-core properties of HK\$19 million, the underlying profit attributable to shareholders decreased by 15.7% to HK\$193 million (2020: HK\$229 million). The underlying earnings per share decreased by 15.7%, year-on-year, to HK\$0.28 (2020: HK\$0.33).

Interim Dividend

The Directors declare the payment of an interim dividend of HK20 cents per share in respect of the six months ended 30 June 2021 to shareholders listed on the Register of Members at the close of business on 27 September 2021 (Monday). The interim dividend is expected to be distributed to shareholders on 13 October 2021 (Wednesday).

Overview

Since the beginning of 2020, the globally raging coronavirus disease ("COVID-19") pandemic has dealt severe blows to the global economy and the local business environment in Hong Kong. All four of the Group's core businesses have encountered daunting challenges with the pandemic lingering for over a year, including but not limited to cross-border travel restrictions, social distancing measures, subdued consumer demand and dampened investment sentiment. In response to this, the Group stayed flexible and responsive in its business strategies by shifting its focus to the local market and seizing every opportunity during the stable intervals between pandemic waves, so as to minimise the pandemic impact to the businesses. Meanwhile, the Group strengthened its efforts in promoting e-commerce, continued to implement stringent cost control measures and deferred dispensable capital expenditures. Driven by the launch of creative staycations and sales promotion packages, the Group's hotel business delivered better performance than last year. The travel operation has come to a near standstill as lockdown measures and quarantine policies remained in force around the world.

The local economy has shown signs of recovery with improved business sentiment further to the generally stabilised epidemic situation, in addition to the mass vaccination programme driven by the government and community at full throttle. Statistically, Hong Kong's gross domestic product (GDP) for the first quarter of this year notably rebounded from the fall of approximately 6.1% in the whole of 2020. In face of the emergence of different mutant strains and the resurgence of COVID-19 cases in the

neighbouring Asian countries, Hong Kong remained stuck in an economic rough patch. Consequentially, both the Group's food and beverage business and property rental business have been disrupted by the anti-pandemic restrictions, the depressed retail and catering markets and the wave of business closures. With rental relief measures granted to certain pandemic-stricken tenants, it led to a slight setback in the overall property rental performance, and the slightly downward valuation on the related properties.

Outlook

Although we see a glimpse of hope ahead, there is still a long way to go for Hong Kong on the journey of economic recovery, which is filled with challenges and uncertainties. In spite of this, the Group will remain vigilant and agile, adopt a multi-pronged approach and strive to enhance business competitiveness with its ample and rich resources, extensive experience and solid foundation. Foreseeing the rising local vaccination rate and various schemes to boost local consumptions launched by the government, I strongly believe that Hong Kong is picking up the momentum of economic recovery and on the way out of COVID-19 doldrums. At the same time, I will hold a pragmatic attitude to lead our team moving forward, increase operating efficiency, and take active steps to restart the economy together with Hong Kong.

Acknowledgement

I would like to take this opportunity to thank the Board of Directors for their support to the Group. On behalf of all the shareholders and members of the Board of Directors, I would like to express my sincere gratitude to our employees and management team for their contributions to the Group.

Lee Ka Shing

Chairman and CEO

Hong Kong, 18 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Hotels and Serviced Apartments Business

As the COVID-19 pandemic situation has been recurring since its outbreak, strict travel restrictions and immigration control remained in force around the world. The trend of recovery could be hardly seen in the international tourism market, adversely affecting Hong Kong local tourism and hotel industries for over a year. During the period, Hong Kong recorded an average of less than 6,000 arrivals per month. To tackle such circumstances, the Group continued to reinforce its business strategy on targeting local consumer market by rolling out interestingly themed staycation packages and co-organising a diverse range of creative workshops with lifestyle brand merchants in its shopping mall. On the other hand, seeing the increasing number of arrivals and demand for quarantine hotels, the Group extended the enrollment period of Mira Moon Hotel as a designated quarantine hotel, which had an average occupancy rate of over 60% during the period. As a result, the Group's revenue from the hotels and serviced apartments business for the period grew by 17% to HK\$119.9 million over the same period last year, with a year-on-year reduction of 27% in loss of earnings before interest, taxes, depreciation and amortisation (EBITDA) to HK\$7.62 million. The Group will continue to exercise tight cost control and get well prepared to operate as a going concern.

Property Rental Business

The persistent COVID-19 pandemic has left Hong Kong retail industry at rock bottom and in limbo, and hit public consumption hard for a prolonged period of time. Last year, Hong Kong's GDP declined by 6.1% on an annual basis. As the pandemic situation was easing, the retail industry took a favourable turn during the first half of the year. Hong Kong's GDP lifted by 7.9% in the first quarter from the same period last year. However, the figures remained far below the pre-pandemic levels in general. Players in the retail industry still struggled to survive and were under pressures from downscaling business, which led to rental rate adjustments and ascending vacancy rate.

To ride out the difficult times together with tenants, the Group continued to offer them appropriate relief measures including lease restructuring and rent concessions during the period. The disruption to the property rental business was minor during the period as reflected by the slight year-on-year decline of 3.4% and 4.6% in its revenue and EBITDA to HK\$403.2 million and HK\$351.0 million, respectively.

During this challenging time, efforts were focused on enhancing customers' shopping experience and mall amenities, including an upgrade of the membership programme and mobile app. In response to the shifted local consumption patterns, a number of lifestyle brands have been invited to set up pop-up stores and organise special weekend markets in the mall in order to broaden the target customer base, improve service standard and increase the mall's competitiveness.

Change in Fair Value of Investment Properties

The Group's investment properties are stated at fair value and are reviewed on a semi-annual basis. The fair value of investment properties is determined with reference to the opinions obtained by the Group from an independent professional surveyor firm (Cushman & Wakefield Limited). The fair value of the Group's total investment properties decreased by HK\$54 million during the period (2020: HK\$72.5 million). The book value of the overall investment properties as at 30 June 2021 was HK\$15.2 billion. The investment properties of the Group are held for long-term with the purpose of earning recurring income. The revaluation loss was non-cash in nature and had no substantive impact on the cash flow of the Group.

Food and Beverage Business

During the period, the government made further adjustments to the social distancing measures based on the pandemic situation, and eased the measures in respect of the operation mode of catering premises under "vaccine bubble" in April. Unfortunately, the catering industry failed to see immediate lift in patronage and revenue. The Group's food and beverage business recorded a revenue of HK\$59.9 million but incurred an EBITDA loss of HK\$5.5 million during the period. As a comparison, revenue and EBITDA loss was HK\$67.8 million and HK\$6.3 million respectively, in the same period last year.

After the first quarter of the year, the atmosphere in the catering sector showed a gradual improvement, with the proportion of dine-in business returned to uptrend. The Group continued to adopt targeted strategies for its food and beverage business by strengthening dine-in discount offers, diversifying takeaway packages, and boosting pre-sale promotions via Mira eShop, in a bid to satisfy different customer needs. In addition, the Group seized the opportunities arising from the festive celebration vibes and emerging food culture, by constantly introducing new festive food products to attract customers across all age groups and thereby to boost business profitability.

Travel Business

The tourism industry still shivered in a harsh winter as there was no relaxation on anti-pandemic measures and immigration control in most of the countries amid volatile pandemic infections and severe spreading of COVID-19 variants. The Group's travel business was inevitably affected and unlikely to recover in the near term. During the period, the travel business recorded a revenue of HK\$0.7 million and an EBITDA loss of HK\$7.8 million. This compares to the revenue and EBITDA loss of HK\$177.4 million and HK\$16.6 million respectively, reported for the same period last year. The management will continue to closely monitor the market developments and the updates on immigrant control, arrival quarantine policy and other measures of countries, and explore feasible measures for implementation to achieve strengthened control over operating costs.

Operating and Other Expenses

In the times of COVID-19 pandemic and economic downturn, the Group continued to strictly control costs and improve operating efficiency. During the period, general operating costs reduced by HK\$11.6 million and the overall operating costs were thus dropped by 12.2% on a net basis to HK\$83.5 million (2020: HK\$95.1 million), compared with the same period last year.

Treasury Management and Financial Condition

The Group manages the exposure to exchange rate, interest rate, liquidity and financing risks arising from the course of its daily operations in accordance with its established policies, and closely monitors its own financial position and requirements, to ensure solvency and commitment. In terms of exchange rate risk, as the Group mainly operates in Hong Kong with its related cash flows, assets and liabilities denominated in HKD the primary exposure arises from assets and business operations in mainland China, and bank deposits in RMB and USD. In terms of interest rate and liquidity risks, as the Group holds its funds principally in HKD and is free of borrowings, the interest rate risk the Group exposes to mainly relates to its HKD deposits and there is no interest rate risk exposure in connection with borrowings. As at 30 June 2021, the Group had a consolidated net cash position of HK\$5.3 billion (31 December 2020: HK\$5 billion) and no loans (31 December 2020: HK\$2.99 million). In terms of financing risk, as at 30 June 2021, the total amount of credit facilities available to the Group was HK\$1 billion (31 December 2020: HK\$1 billion), none of them have been utilised (31 December 2020: 0.30%). Accordingly, the gearing ratio (calculated by dividing the total consolidated borrowings by the total consolidated shareholders' equity) was nil (31 December 2020: 0.02%). The Group adopts a sound financial policy and maintains adequate funds and credit lines sufficient to cope with economic uncertainties in the foreseeable future and execute investment-effective business development plans as and when appropriate.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED*For the six months ended 30 June 2021*

		For the six months ended 30 June	
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	583,658	765,260
Cost of inventories		(36,096)	(37,515)
Staff costs	4(a)	(172,727)	(191,996)
Utilities, repairs and maintenance and rent		(47,960)	(45,025)
Tour and ticketing costs		1,790	(149,105)
Gross profit		328,665	341,619
Other revenue		32,376	87,052
Operating and other expenses		(83,462)	(95,068)
Depreciation		(32,223)	(51,050)
		245,356	282,553
Finance costs	4(b)	(1,003)	(1,899)
Share of profits less losses of associates		94	66
		244,447	280,720
Net gain on disposal of properties		18,696	—
Other non-operating net loss	4(c)	(483)	(1,840)
Net decrease in fair value of investment properties	8(a)	(53,982)	(72,528)
Profit before taxation carried forward	4	208,678	206,352

CONSOLIDATED STATEMENT OF PROFIT OR LOSS — UNAUDITED (continued)*For the six months ended 30 June 2021*

		For the six months ended 30 June	
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation brought forward	4	208,678	206,352
Taxation	5		
Current		(45,931)	(44,870)
Deferred		<u>(1,900)</u>	<u>(1,016)</u>
Profit for the period		<u>160,847</u>	<u>160,466</u>
Attributable to:			
Shareholders of the Company		157,727	156,717
Non-controlling interests		<u>3,120</u>	<u>3,749</u>
		<u>160,847</u>	<u>160,466</u>
Earnings per share			
Basic and diluted	7(a)	<u>HK\$0.23</u>	<u>HK\$0.23</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME — UNAUDITED

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>160,847</u>	<u>160,466</u>
Other comprehensive income for the period (after tax and reclassification adjustments):		
<i>Items that will not be reclassified to profit or loss:</i>		
Equity securities designated at fair value through other comprehensive income (“FVOCI”):		
— changes in fair value	10,438	(3,376)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the financial statements of subsidiaries outside Hong Kong	<u>7,069</u>	<u>(4,496)</u>
	<u>17,507</u>	<u>(7,872)</u>
Total comprehensive income for the period	<u><u>178,354</u></u>	<u><u>152,594</u></u>
Attributable to:		
Shareholders of the Company	171,237	150,917
Non-controlling interests	<u>7,117</u>	<u>1,677</u>
Total comprehensive income for the period	<u><u>178,354</u></u>	<u><u>152,594</u></u>

There is no tax effect relating to the above component of other comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Note	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Non-current assets			
Investment properties	8(a)	15,249,955	15,293,694
Other property, plant and equipment	8(b)	<u>230,328</u>	<u>244,827</u>
		15,480,283	15,538,521
Interests in associates		830	783
Equity securities designated at FVOCI		58,945	78,961
Financial assets measured at fair value through profit or loss ("FVPL")		—	1,406
Deferred tax assets		<u>13,949</u>	<u>12,267</u>
		<u>15,554,007</u>	<u>15,631,938</u>
Current assets			
Inventories		123,952	122,618
Trade and other receivables	9	158,106	175,584
Financial assets measured at FVPL		61,777	61,533
Cash and bank balances		5,333,775	5,050,300
Tax recoverable		<u>3,816</u>	<u>3,665</u>
		<u>5,681,426</u>	<u>5,413,700</u>
Current liabilities			
Trade and other payables	10	(485,232)	(297,909)
Bank loan		—	(2,993)
Rental deposits received		(93,348)	(76,729)
Contract liabilities		(70,577)	(75,276)
Lease liabilities		(40,219)	(42,788)
Tax payable		<u>(39,337)</u>	<u>(19,437)</u>
		<u>(728,713)</u>	<u>(515,132)</u>
Net current assets		<u>4,952,713</u>	<u>4,898,568</u>
Total assets less current liabilities carried forward		<u>20,506,720</u>	<u>20,530,506</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*At 30 June 2021*

		At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Total assets less current liabilities brought forward		<u>20,506,720</u>	<u>20,530,506</u>
Non-current liabilities			
Deferred liabilities		(164,657)	(185,402)
Lease liabilities		(52,138)	(44,376)
Deferred tax liabilities		<u>(306,883)</u>	<u>(302,571)</u>
		<u>(523,678)</u>	<u>(532,349)</u>
NET ASSETS		<u>19,983,042</u>	<u>19,998,157</u>
CAPITAL AND RESERVES			
Share capital	<i>11</i>	2,227,024	2,227,024
Reserves		<u>17,601,387</u>	<u>17,623,619</u>
Total equity attributable to shareholders of the Company		19,828,411	19,850,643
Non-controlling interests		<u>154,631</u>	<u>147,514</u>
TOTAL EQUITY		<u>19,983,042</u>	<u>19,998,157</u>

NOTES:

1. BASIS OF PREPARATION

The interim results set out in the announcement do not constitute the Group's interim report for the six months ended 30 June 2021 but are extracted from that report.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 18 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included in the interim financial report to be sent to the shareholders. In addition, the interim financial report has been reviewed by the Company's Audit Committee.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented and the Group has not applied any new standard or interpretation that is not yet effective for current accounting period.

3. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by segments which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's board and senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following five reportable segments.

Property rental	:	The leasing of office and retail premises to generate rental income and to gain from the appreciation in properties' values in the long term
Hotels and serviced apartments	:	The operation of hotels and serviced apartments and provision of hotel management services
Food and beverage operation	:	The operation of restaurants
Travel operation	:	The operation of travel agency services
Others	:	Other businesses

The principal activities of the Group are property rental, hotels and serviced apartments, food and beverage operation and travel operation. Revenue represents income from property rental, hotels and serviced apartments, food and beverage, travel and other operations.

Revenue and expense are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment results is "adjusted EBITDA", i.e. "adjusted earnings before interest, taxes, depreciation and amortisation". To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, other non-operating items and other corporate expenses.

3. REVENUE AND SEGMENT REPORTING (continued)

Information regarding the Group's reportable segments as provided to the Group's board and senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	For the six months ended 30 June 2021					
	Property rental HK\$'000	Hotels and serviced apartments HK\$'000	Food and beverage operation HK\$'000	Travel operation HK\$'000	Others HK\$'000	Total HK\$'000
Reportable segment revenue (revenue from external customers) (Note)	<u>403,171</u>	<u>119,911</u>	<u>59,898</u>	<u>678</u>	<u>—</u>	<u>583,658</u>
Reportable segment results (adjusted EBITDA)	351,053	(7,616)	(5,463)	(7,841)	(69)	330,064
Unallocated corporate expenses						<u>(84,708)</u>
						245,356
Finance costs						(1,003)
Net gain on disposal of properties						18,696
Share of profits less losses of associates						94
Other non-operating net loss						(483)
Net decrease in fair value of investment properties	(53,982)	—	—	—	—	<u>(53,982)</u>
Consolidated profit before taxation						<u>208,678</u>

3. REVENUE AND SEGMENT REPORTING (continued)

	For the six months ended 30 June 2020					
	Property rental <i>HK\$'000</i>	Hotels and serviced apartments <i>HK\$'000</i>	Food and beverage operation <i>HK\$'000</i>	Travel operation <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment revenue (revenue from external customers) (Note)	<u>417,505</u>	<u>102,504</u>	<u>67,830</u>	<u>177,421</u>	<u>—</u>	<u>765,260</u>
Reportable segment results (adjusted EBITDA)	368,162	(10,437)	(6,259)	(16,555)	(647)	334,264
Unallocated corporate expenses						<u>(51,711)</u>
Finance costs						282,553 (1,899)
Share of profits less losses of associates						66
Other non-operating net loss						(1,840)
Net decrease in fair value of investment properties	(72,528)	—	—	—	—	<u>(72,528)</u>
Consolidated profit before taxation						<u>206,352</u>

Note: Except for property rental income of HK\$403,171,000 (six months ended 30 June 2020: HK\$417,505,000) which falls within the scope of HKFRS 16, *Leases*, all of the remaining revenue from contracts with customers falls within the scope of HKFRS 15, *Revenue from contracts with customers*.

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
(a) Staff costs		
Contributions to defined contribution retirement plan	7,022	10,686
Salaries, wages and other benefits	<u>165,705</u>	<u>181,310</u>
	<u>172,727</u>	<u>191,996</u>
(b) Finance costs		
Interest on bank advances and other borrowings	11	193
Interest on lease liabilities	<u>992</u>	<u>1,706</u>
	<u>1,003</u>	<u>1,899</u>
(c) Other non-operating net loss		
Net realised and unrealised losses on financial assets measured at FVPL	<u>483</u>	<u>1,840</u>
(d) Other items		
Dividend and interest income	(12,838)	(55,280)
Reversal of provision for properties held for resale	(43)	(454)
Government subsidies (<i>Note</i>)	(7,451)	(16,152)
Impairment loss on trade receivables	34	2,209
Impairment loss on other property, plant and equipment	<u>21,304</u>	<u>22,539</u>

Note: Being the subsidies received/receivable from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme and other subsidy schemes as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China which are included in "Other revenue" during the period.

5. TAXATION

Taxation in the consolidated statement of profit or loss represents:

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current tax — Hong Kong Profits Tax		
Provision for the period	43,649	42,067
Current tax — Taxation outside Hong Kong		
Provision for the period	<u>2,282</u>	<u>2,803</u>
	<u>45,931</u>	<u>44,870</u>
Deferred tax		
Change in fair value of investment properties	(90)	24
Origination and reversal of temporary differences	<u>1,990</u>	<u>992</u>
	<u>1,900</u>	<u>1,016</u>
	<u><u>47,831</u></u>	<u><u>45,886</u></u>

Provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2020: 16.5%) of the estimated assessable profits for the period.

Overseas taxation is calculated at rates of tax applicable in the jurisdictions in which the Group is assessed for tax.

Share of associates' taxation for the period of HK\$14,000 (six months ended 30 June 2020: HK\$11,000) is included in the share of profits less losses of associates.

6. DIVIDENDS

(a) Dividends attributable to the interim period

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interim dividends declared after the interim period of HK20 cents per share (six months ended 30 June 2020: HK22 cents per share)	<u>138,192</u>	<u>152,011</u>

The interim dividend declared after the interim period has not been recognised as a liability at the end of the reporting period.

(b) Dividends attributable to the previous financial year, approved during the interim period

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Final dividends in respect of the previous financial year, approved during the following interim period, of HK28 cents per share (six months ended 30 June 2020: HK34 cents per share) (<i>Note</i>)	<u>193,469</u>	<u>234,926</u>

Note: 2020 final dividends and 2019 final dividends were paid on 8 July 2021 and 6 July 2020 respectively.

7. EARNINGS PER SHARE

(a) Basic and diluted earning per share

The calculation of earnings per share is based on the profit attributable to shareholders of the Company of HK\$157,727,000 (six months ended 30 June 2020: HK\$156,717,000) and 690,959,695 shares (six months ended 30 June 2020: 690,959,695 shares) in issue during the interim period.

There were no potential ordinary shares in existence during the six months ended 30 June 2021 and 2020, and hence diluted earnings per share is the same as the basic earnings per share.

7. EARNINGS PER SHARE (continued)

(b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, underlying earnings per share is additionally calculated based on the profit attributable to shareholders of the Company after excluding the post-tax effects of changes in fair value of investment properties and other non-operating and non-recurring items. A reconciliation of profit is as follows:

	For the six months ended	
	30 June 2021 HK\$'000	30 June 2020 HK\$'000
Profit attributable to shareholders of the Company	157,727	156,717
Changes in fair value of investment properties during the period	53,982	72,528
Effect of deferred tax on changes in fair value of investment properties	(90)	24
Net gain on disposal of properties	<u>(18,696)</u>	<u>—</u>
Underlying profit attributable to shareholders of the Company	<u>192,923</u>	<u>229,269</u>
Underlying earnings per share	<u>HK\$0.28</u>	<u>HK\$0.33</u>

8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT

(a) Investment properties

Investment properties of the Group were revalued at 30 June 2021 and 31 December 2020. The valuations were carried out by an independent firm of surveyors, Cushman & Wakefield Limited, who have among its staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued. The fair value of investment properties is based on income capitalisation approach which capitalised the net income of the properties under the existing tenancies and upon reversion after expiry of current leases. During the period, the net decrease in fair value of investment properties was HK\$53,982,000 (six months ended 30 June 2020: HK\$72,528,000).

(b) Right-of-use assets (included in “other property, plant and equipment”)

During the six months ended 30 June 2021, the Group entered into a number of lease agreements for use of operation outlets and therefore recognised the additions to right-of-use assets of HK\$32,064,000 (six months ended 30 June 2020: HK\$1,052,000). Depreciation charges and impairment losses related to the right-of-use assets of HK\$16,236,000 and HK\$785,000 (six months ended 30 June 2020: HK\$32,169,000 and HK\$22,539,000) respectively are recognised during the period. The net book value of the Group’s right-of-use assets at the end of the reporting period is HK\$78,977,000 (at 31 December 2020: HK\$63,934,000).

8. INVESTMENT PROPERTIES AND OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Right-of-use assets (included in “other property, plant and equipment”) (continued)

The leases of operation outlets contain variable lease payment terms that are based on sales generated from the operation outlets and minimum annual lease payment terms that are fixed. These payment terms are common in operation outlets in Hong Kong where the Group operates. During the six months ended 30 June 2021, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amounts of fixed and variable lease payments paid/payable to landlord and COVID-19 rent concessions received from landlord for the period are summarised below:

	For the six months ended 30 June 2021		
	Fixed payments <i>HK\$'000</i>	Variable payments <i>HK\$'000</i>	COVID-19 rent concessions <i>HK\$'000</i>
Operation outlets	1,521	2	(6,296)
	For the six months ended 30 June 2020		
	Fixed payments <i>HK\$'000</i>	Variable payments <i>HK\$'000</i>	COVID-19 rent concessions <i>HK\$'000</i>
Operation outlets	1,153	106	(6,120)

The Group has adopted the Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*, and has applied the practical expedient introduced by this amendment to all eligible rent concessions received by the Group during the period.

9. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of loss allowance) with the following ageing analysis, based on the invoice date, as at the end of the reporting period:

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Within 1 month	13,560	14,635
1 to 2 months	5,862	4,503
Over 2 months	<u>25,431</u>	<u>27,103</u>
Trade receivables (net of loss allowance)	44,853	46,241
Other receivables, deposits and prepayments	<u>113,253</u>	<u>129,343</u>
	<u><u>158,106</u></u>	<u><u>175,584</u></u>

At 30 June 2021, all of the trade and other receivables are expected to be recovered within one year, except for the amount of HK\$11,810,000 (at 31 December 2020: HK\$9,365,000) which is expected to be recovered after one year.

The Group has a defined credit policy. The general credit terms allowed a range from 7 to 60 days from the date of billing. Debtors with balances that have been more than 60 days overdue are generally required to settle all outstanding balances before any further credit would be granted.

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis, based on the invoice date, as at the end of the reporting period:

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Within 3 months or on demand	10,370	2,356
Over 3 months but within 6 months	<u>24,360</u>	<u>30,918</u>
Trade payables	34,730	33,274
Other payables and accrued charges	180,249	187,871
Amounts due to holders of non-controlling interests of subsidiaries (<i>note (a)</i>)	72,506	72,475
Amounts due to associates (<i>note (b)</i>)	4,278	4,289
Dividend payable (<i>note 6(b)</i>)	<u>193,469</u>	<u>—</u>
	<u><u>485,232</u></u>	<u><u>297,909</u></u>

Notes:

- (a) Amounts due to holders of non-controlling interests of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.
- (b) Amounts due to associates are unsecured, interest-free and repayable on demand.

Except for note (a), all of the trade and other payables are expected to be settled within one year or are repayable on demand.

11. SHARE CAPITAL

Issued share capital

	2021		2020	
	<i>No. of shares</i>	<i>Amount HK\$'000</i>	<i>No. of shares</i>	<i>Amount HK\$'000</i>
Ordinary shares, issued and fully paid:				
At 1 January and 30 June/31 December	<u>690,959,695</u>	<u>2,227,024</u>	<u>690,959,695</u>	<u>2,227,024</u>

12. EMPLOYEE RETIREMENT SCHEME

The Group's Hong Kong employees participate in a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance (Cap. 426) (the "ORSO Scheme") or in another defined contribution scheme registered under the Mandatory Provident Fund Scheme Ordinance (Cap. 485) ("MPFO") (the "MPF Scheme").

Contributions to the ORSO Scheme are made by the participating employers ranging from 5%–11% of, and by the employees at 5%–11% of the employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

No employees of the Group were eligible to join the ORSO Scheme on or after 1 December 2000.

The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Scheme. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. The total amount so utilised during the six months ended 30 June 2021 was HK\$15,000 (six months ended 30 June 2020: HK\$59,000) and the balance available to be utilised as at 30 June 2021 was HK\$680,000 (at 30 June 2020: HK\$717,000).

The total amount so utilised for the year ended 31 December 2020 was HK\$292,000 (2019: HK\$240,000) and the balance available to be utilised as at 31 December 2020 was HK\$534,000 (31 December 2019: HK\$593,000).

Employees of subsidiaries in the People's Republic of China (the "PRC") are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. Those subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the interim dividend, the Register of Members of the Company will be closed on Monday, 27 September 2021, during which no transfer of shares will be registered. In order to establish entitlements to the interim dividend, Shareholders must lodge all transfer documents accompanied by the relevant share certificates for registration with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, 24 September 2021.

EMPLOYEES

As at 30 June 2021, the Group had a total of about 1,171 full-time employees, including 1,147 employed in Hong Kong and 24 employed in The People's Republic of China. The Group is the "Equal Opportunity Employer"; we value dedication and respect, and work hard to instill a sense of unity, ownership and professionalism for all of our employees that supports the achievement of the Group's Mission, Vision and Business Strategies. It is the policy of the Group to remunerate employees in a fair and equitable manner. The Group develops a performance-driven culture and adopts Total Rewards Management for talent attraction, employee recognition and retention. The Group reviews its Remuneration and Benefits Program on a regular basis to ensure the programme is in compliance with the latest laws, in line with market practice and keeps up with market conditions and levels of remuneration.

TRAINING AND DEVELOPMENT

The Group regards Employees as our most precious asset. We commit ourselves to providing a continuous learning environment and opportunities to our Employees at all levels to help them grow and excel in productivity.

The Group strives to continuously develop a comprehensive Learning and Development Road Map including the provision of in-house and external training programmes such as Management/Supervisory Skills, Business Knowledge, Technical Skills, Customer Services Skills, Language Ability, People Management and Personal Effectiveness, etc. for Employees at all levels to advance their career achievements within the Group.

Subsequent to continued deployment of resources towards employee training and development, the Group has been awarded "Manpower Developer" by the Employees Retraining Board every year since 2011, in recognition of the Group's outstanding achievements in fostering an organisational culture conducive to manpower training and development as well as life-long learning.

CORPORATE GOVERNANCE

The Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2021, with the exception of one deviation that roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the Code. Mr. Lee Ka Shing was re-designated as Chairman and Chief Executive Officer as from 12 June 2014. Mr. Lee has been the Chief Executive Officer since 1 August 2006 with in-depth experience and knowledge of the Group and its businesses. The Board is of the view that his appointment into the dual roles as Chairman and Chief Executive Officer is in the best interest of the Group ensuring continuity of leadership and efficiency in formulation and execution of corporate strategies, and that there is adequate balance of power and authority in place.

AUDIT COMMITTEE

The Audit Committee has reviewed the financial results of the Group for the six months ended 30 June 2021 and discussed with the Assistant Director of Audit, Risk & Corporate Services and independent external auditors regarding matters on internal control, risk management and financial reports of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the period, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiries, the Company confirmed that all directors had complied with the required standards set out in the Model Code throughout the accounting period covered by the interim report.

FORWARD-LOOKING STATEMENTS

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

By Order of the Board

LEE KA SHING

Chairman and CEO

Hong Kong, 18 August 2021

As at the date of this announcement, (i) the executive directors are Mr. Lee Ka Shing, Mr. Richard Tang Yat Sun, Dr. Colin Lam Ko Yin, Mr. Norman Ho Hau Chong and Mr. Eddie Lau Yum Chuen; (ii) the non-executive directors are Dr. Patrick Fung Yuk Bun and Mr. Dominic Cheng Ka On; (iii) the independent non-executive directors are Dr. David Sin Wai Kin, Mr. Wu King Cheong, Dr. Timpson Chung Shui Ming, Mr. Howard Yeung Ping Leung, Mr. Thomas Liang Cheung Bui and Mr. Alexander Au Siu Kee.